

**STATE OF RHODE ISLAND
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**

**7/29/2015 PUBLIC NOTICE OF PROPOSED AMENDMENT TO RHODE ISLAND
MEDICAID STATE PLAN**

In accordance Rhode Island General Laws 42-35, notice is hereby given that the Executive Office of Health and Human Services (EOHHS) proposes to make the following amendment to the Rhode Island State Plan under Title XIX of the Social Security Act:

**Reinventing Medicaid 2015:
Reduce the Neonatal Intensive Care Unit Adjustment
In the Hospital Payment Methodology**

As part of Governor Gina Raimondo's effort to reform Medicaid, the Working Group to Reinvent Medicaid issued an April report that recommended numerous initiatives to achieve financial savings in State Fiscal Year (SFY) 2016. The Governor introduced those recommendations in a budget article entitled, "The Reinventing Medicaid Act of 2015." The Rhode Island General Assembly passed the Reinventing Medicaid Act in June.

As a result of the Act's passage, EOHHS is seeking federal authority to implement several changes to the Medicaid program. This state plan amendment will reduce the neonatal intensive care unit (NICU) adjustor to the inpatient hospital payment methodology. Medicaid will continue to cover NICU stays for its beneficiaries. This amendment simply changes how Medicaid pays for it.

This proposed amendment is accessible on the EOHHS website (www.eohhs.ri.gov) or available in hard copy upon request (401-462-1965 or RI Relay, dial 711). Interested persons should submit data, views, or written comments by August 30, 2015 to Darren J. McDonald, Office of Policy and Innovation, Executive Office of Health and Human Services, 57 Howard Avenue, Cranston, RI, 02920, or darren.mcdonald@ohhs.ri.gov.

In accordance with the Rhode Island General Laws 42-35-3, an oral hearing will be granted on the proposed State Plan Amendment if requested by twenty-five (25) persons, an agency, or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within thirty (30) days of this notice.

The Executive Office of Health and Human Services does not discriminate against individuals based on race, color, national origin, sex, gender identity or expression, sexual orientation, religious belief, political belief, or handicap in acceptance for or provision of services or employment in its programs or activities.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: Rhode Island

Since 2011, when the Centers for Medicare and Medicaid Services approved this methodology as a category II change to the state's section 1115 waiver, payment for inpatient hospital care provided by Rhode Island and out-of-state hospitals under fee-for-service arrangements has been as follows:

- a. DRG Base Payment. In general, payment will be by diagnosis related group, using the All Patient Refined Diagnosis Related Group (APR-DRG) algorithm. The DRG Base Payment will equal the DRG Relative Weight specific to APR-DRG times the DRG Base Price times an age adjustor (if applicable).
- b. APR-DRG algorithm. Effective July 1, 2010, the Department will use Version 27 of the APR-DRG algorithm. It is the Department's intention to update the version each year so that it uses either the current version or the version prior to the current version, depending on the time necessary to implement the update.
- c. DRG Relative Weights. Effective July 1, 2010, the Department will use Version 27 of the national APR-Relative Weights as published by 3M Health Information Systems. For certain services where Medicaid represents an important share of the Rhode Island market, policy adjustors will be used to increase the Relative Weights in order to encourage access to care. These services (defined by APR-DRG) and policy adjustors are: neonatal intensive care, 1.25; normal newborns, 1.15; obstetrics, 1.15; mental health, 1.45; and rehabilitation, 1.45. Policy adjustors are intended to be budget-neutral; because payment for services with policy adjustors is higher than it otherwise would have been, payment for other services is lower than it otherwise would have been. Budget neutrality is achieved through the level of the DRG Base Price.
- d. Transitional DRG Base Prices. Effective July 1, 2011, there will be a single statewide DRG Base Price. For a transition period from July 1, 2010 through June 30, 2011 (i.e., SFY 2011), transitional DRG Base Prices will be used. These transitional DRG Base Prices were calculated so that no Rhode Island hospital would see an estimated decrease in payments (relative to the previous payment method) of more than 20%. For SFY 2011, three hospitals have transitional Base Prices higher than other hospitals. These are Memorial Hospital of Rhode Island, \$15,010; St. Joseph's Hospital, \$12,344; the Rehabilitation Hospital of Rhode Island, \$18,248. All other hospitals have a transitional DRG Base Price of \$10,031.
- e. Budget neutrality of DRG Base Price. The SFY 2011 DRG Base Prices were calculated so that the DRG payment method, overall, would be budget-neutral compared with what the previous payment method would have paid in SFY 2011. To perform this calculation, the State created an analytical dataset comprising a full year of paid claims data from FFY 2009. This dataset was validated both internally and with each Rhode Island hospital, and then each inpatient stay was grouped by APR-DRG. Because a significant share of the fee-for-service population was transitioning to managed care during the 2009-2010 time periods, an estimate was made of how the transition would reduce the